COLUMBIA POWER CORPORATION

ANNUAL REPORT 2000/01

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Mandate of Columbia Power Corporation

Columbia Power Corporation is a Crown corporation wholly owned and controlled by the Province of British Columbia. Pursuant to the Columbia Basin Accord, the mandate of Columbia Power Corporation is to undertake power project investments as the agent of the Province on a joint venture basis with the Columbia Basin Trust.

The core projects of Columbia Power Corporation and the Columbia Basin Trust are the Arrow Lakes Generating Station, the Brilliant Expansion and the Waneta Expansion. The joint venturers may also undertake other power generation, transmission or distribution projects in the Columbia Basin. The purchase of the Brilliant dam in 1996 was the first investment by the joint venturers. Construction of the Arrow Lakes Generating Station began in 1999, and this facility is expected to be operational by 2002.

The objective of Columbia Power Corporation in making power project investments is to support the employment, economic development and resource management objectives of the Province and the Columbia Basin Trust, within the constraints of a commercial enterprise.

Report to the Shareholder

The year ended March 31, 2001, was a very active and successful year for Columbia Power Corporation. During the year, construction of the Arrow Lakes Generating Station continued to be the main focus of activity, while progress was also made on other joint venture projects.

Completion of the Arrow Lakes Generating Station was originally scheduled for April 2002. However, work on the project is ahead of schedule, and commissioning is expected to begin in late 2001. Construction expenditures are on budget and are expected to stay that way through to project completion. The timing of the project coincides with the need for additional sources of supply in western North American power markets. In a report on the planning and construction of the Arrow Lakes Generating Station, the Auditor General of British Columbia concluded that the capital management process used for the project was appropriate and will provide good value for money.

As the manager of its joint ventures with the Columbia Basin Trust, Columbia Power Corporation also advanced other projects in the joint venturers' portfolio. In August 2000, the first of four turbine upgrades was completed at the Brilliant dam, resulting in an increase in the output of the powerplant. Life extension work on the upgraded generating unit was carried out at the same time. Dam stabilization work was also undertaken and a new switchyard was constructed as part of a major capital program at the Brilliant dam.

A memorandum of understanding was signed with West Kootenay Power Ltd. for the ownership, construction and financing by the joint venturers of a common-use substation at the Brilliant dam. The substation will connect West Kootenay Power's transmission system with the transmission line being built for the Arrow Lakes Generating Station. Construction of this substation is scheduled to begin in the fall of 2001.

In November 2000, the joint venturers applied to the Environmental Assessment Office for a Project Approval Certificate for the Brilliant Expansion. The project will see a new powerplant constructed adjacent to the Brilliant dam to take advantage of water flows that would otherwise be spilled. The selection of a design-build contractor for the project is proceeding using the approach successfully applied for the Arrow Lakes Generating Station.

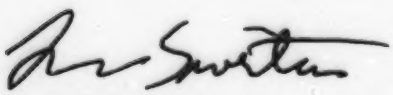
Considerable progress was made on the Waneta Expansion during the year, as scoping studies were initiated and drilling work undertaken. This project will see the construction of a new powerplant adjacent to the Waneta dam. It is expected that an application for a Project Approval Certificate will be submitted in 2002.

A major development during the year was the signing of agreements for the purchase of West Kootenay Power's generation business by Columbia Power Corporation and the Columbia Basin Trust. The agreements, under which subsidiaries of Columbia Power Corporation and the Columbia Basin Trust will become owners of West Kootenay Power's four dams on the Kootenay River, are subject to British Columbia Utilities Commission and other approvals and to completion of financing arrangements. If the transaction is approved, approximately 80 employees of West Kootenay Power will become employees of Columbia Power Corporation and the Columbia Basin Trust and will operate and maintain these dams, as well as the Brilliant and Waneta dams.

Through its Community Sponsorship Program, Columbia Power Corporation provided funds to several local organizations in the past year to support programs and events that benefit residents of the Columbia Basin. As well, scholarships were provided to students at each high school in the Columbia Basin. This program is an example of Columbia Power Corporation's commitment to share the benefits of its investments with the public.

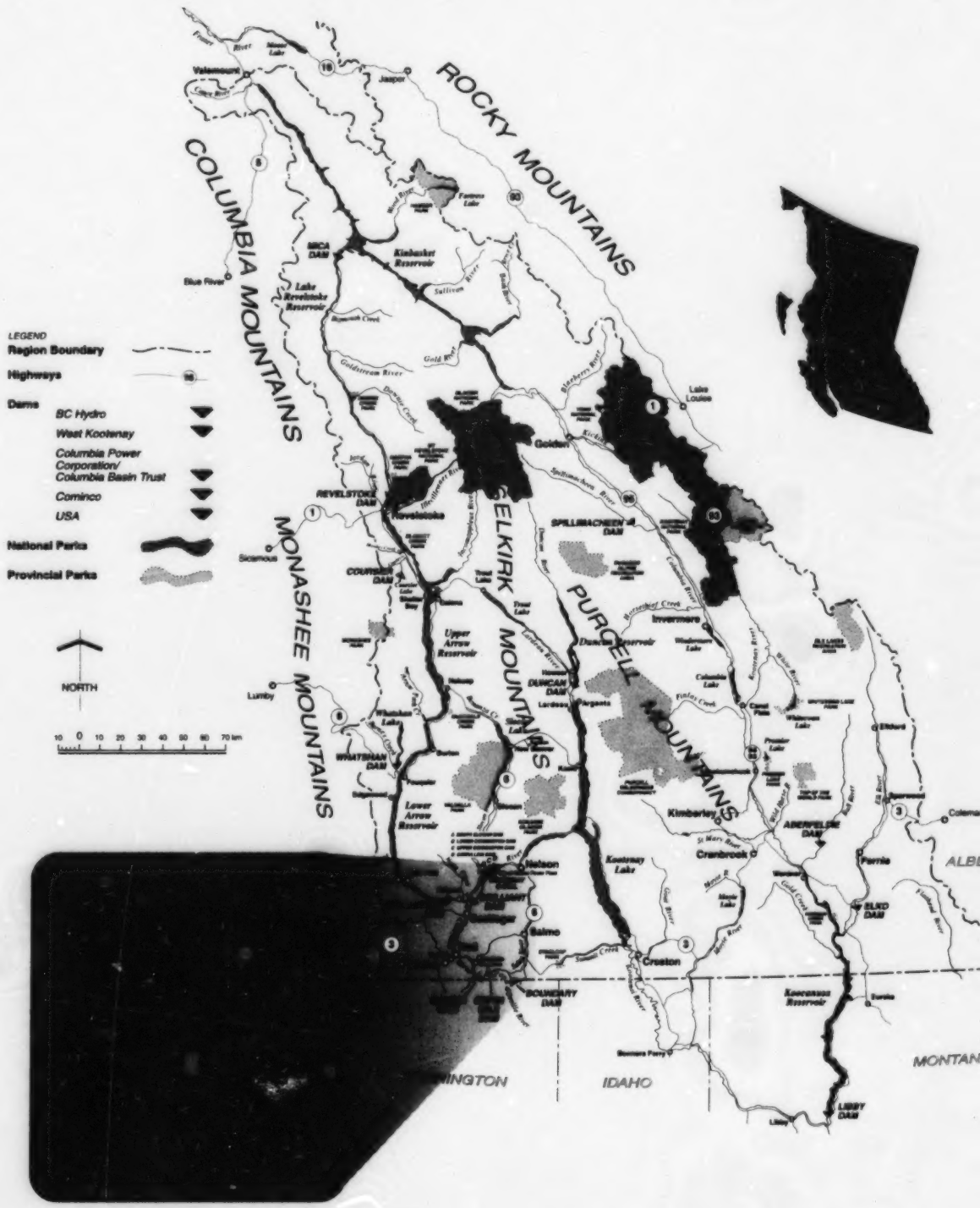
Columbia Power Corporation's consolidated income in 2000/01 was $3.7 million, up from $3.6 million in the previous year. This increase was due primarily to the continued growth of earnings at the Brilliant dam, which was partially offset by reduced interest income.

Columbia Power Corporation extends its sympathy to the family and friends of Vernon Baisden. Vernon died on April 24, 2001 while working as a millwright on the Arrow Lakes Generating Station. This loss is a reminder of the important contribution made by the skilled and dedicated people working on Columbia Power Corporation's projects.



Lorne E. Sivertson
President

Columbia Basin Power Projects



Power Project Planning

Under the terms of its agreements with the Columbia Basin Trust, the Province has committed to investing $50 million a year for ten years in Columbia Power Corporation and the Columbia Basin Trust. These investments, which began in 1996, provide equity funding for power projects undertaken jointly in the Columbia Basin by the two corporations. Columbia Power Corporation and the Columbia Basin Trust, through its subsidiary, CBT Power Corp., have formed the Power Project Planning Joint Venture for the purpose of assessing and advancing power projects. When a decision is made to proceed with a project, a new joint venture is formed to implement that project. Columbia Power Corporation is the manager of these joint ventures.

(i) Brilliant Expansion

While construction is underway on the Arrow Lakes Generating Station, Columbia Power Corporation is proceeding with planning for the Brilliant Expansion. This project involves the construction at the Brilliant dam on the Kootenay River of an additional powerplant with approximately 100 megawatts of capacity. The new powerplant will use water that currently passes through the spillways of the dam without generating power. Construction of this project is targeted to begin as construction of the Arrow Lakes Generating Station concludes. The completed facility is expected to be in service by 2005. During the 30-month construction period, approximately 450 person-years of total employment will be created.

The project involves construction of a short intake canal from a point above the Brilliant dam to the new powerplant 100 metres downstream of the dam. Access to the new powerplant will be provided through a new bridge across the Kootenay River just below the dam. The 230-kilovolt output from the powerhouse will be delivered to the power grid through the Keenleyside-to-Selkirk transmission line, which will pass within 500 metres of the plant.

Artist's rendition of proposed Brilliant Expansion

In addition to providing economic benefits through generation of energy using water otherwise spilled, the Brilliant Expansion will produce several important environmental benefits, including the reduction of Total Gas Pressure (TGP) levels in the water below the dam and the reduction of greenhouse gas emissions. TGP, which is produced as a result of water spilling through the Brilliant dam and upstream dams, is hazardous to fish. By reducing the amount of water spilled, the Brilliant Expansion will reduce TGP, thus benefiting fish downstream. According to an assessment by the Alberta-based Pembina Institute for Appropriate Development, annual greenhouse gas emission reductions for the project will range from 350,000 to 400,000 tonnes.

Project construction, planned to begin in 2002, will be undertaken through a competitive design-evaluate-build process intended to optimize the design and economics of the project, following the approach used for the Arrow Lakes Generating Station.

Over the past year, pre-application public consultation was conducted in order to introduce the project to local and regional governments, stakeholder organizations, communities adjacent to the project site and the general public in the West Kootenay area, and to discuss the questions and concerns raised by these groups. At the same time, First Nations information sharing and consultation activities were undertaken to provide information on the project and on opportunities for First Nations involvement in project planning and review. After pre-application consultations were completed, applications for a Project Approval Certificate and Water License were submitted in November 2000.

Expressions of Interest were requested in March 2001 from engineering and construction teams having experience in the design and construction of comparable-sized hydroelectric projects. Turbine and generator suppliers were also invited to register their qualifications for evaluation and possible participation. Project information meetings planned for the coming year are open to companies or teams that registered expressions of interest, as well as to regional contractors, consultants and suppliers requesting consideration as potential subcontractors to teams participating in the project.

Goals for the Brilliant Expansion project for the coming year are to complete the application process for key environmental permits, host and complete a successful and viable proposal competition, and enter into a contract with the preferred proponent by year-end. In addition, construction of the Brilliant Road extension is proposed, subject to community consultation on the use of this road for site access.

(ii) Waneta Expansion

The Waneta Expansion is a proposal to install an additional powerplant at the Waneta dam, located on the Pend d'Oreille River just before its confluence with the Columbia River. This project is similar to the Brilliant Expansion in that it will make use of water not currently being used by the existing powerplant and it will not require construction of a new dam. As with Columbia Power Corporation's other hydroelectric projects, the resulting passage of water through turbines instead of spillways will reduce the level of Total Gas Pressure downstream, thereby improving fish habitat. The project will include a transmission line to connect the new powerplant to the BC Hydro integrated system at the Selkirk Substation.

The Waneta dam is owned by Cominco Ltd. The rights to undertake the expansion project were purchased by Columbia Power Corporation in 1994. The capacity of the Waneta Expansion, which could be as high as 380 megawatts, will be determined on the basis of power optimization studies, environmental considerations and water availability. The preliminary project schedule calls for construction to begin in 2004.

Planning activities carried out to date include technical engineering studies (including geotechnical drilling), environmental scoping, land surveying, transmission line routing analysis, substation engineering, archaeological overviews, energy and hydrology modelling, economic and financial analysis, and public consultation. The work program for the coming year is intended to lead to the submission of a Project Approval Certificate application in 2002.

(iii) Waneta Upgrades

The Waneta Upgrades project is a proposal to purchase the incremental power entitlements attributable to refurbishment of the existing power generation facilities at the Waneta dam. The total capacity associated with the Waneta Upgrades is expected to be as high as 100 megawatts.

Cominco Ltd., the owner of the Waneta dam, has completed the first of the four generating unit upgrades and has obtained a Project Approval Certificate for the remainder of the Waneta Upgrades. Columbia Power Corporation and the Columbia Basin Trust intend to enter into an agreement with Cominco for the purchase of the Waneta Upgrades power entitlement.

(iv) Brilliant Substation

In 2000/01, Columbia Power Corporation signed a memorandum of understanding with West Kootenay Power to enter into a strategic partnership in which Columbia Power Corporation and the Columbia Basin Trust will own, build and finance a new substation at the Brilliant dam. This facility would connect the 230-kilovolt Keenleyside-to-Selkirk transmission line to West Kootenay Power's transmission system in the Columbia-Kootenay Region. The new Brilliant Substation will improve electric reliability in the region and market access for Columbia Power Corporation and the Columbia Basin Trust's power projects. Further to the memorandum of understanding, Columbia Power Corporation and the Columbia Basin Trust intend to enter into an agreement with West Kootenay Power leading to the construction of the new substation beginning in the fall of 2001, with completion scheduled for 2003.

(v) Acquisition of WKP Generation Business

In March 2001, West Kootenay Power submitted an application to the British Columbia Utilities Commission for a package of agreements that would result in Columbia Power Corporation and the Columbia Basin Trust acquiring West Kootenay Power's generation business.

Under the proposal, West Kootenay Power would transfer its generation assets to a newly formed subsidiary called Kootenay River Power Corporation. The assets to be transferred include the Corra Linn, Lower Bonnington, Upper Bonnington and South Slocan dams and powerhouses on the Kootenay River upstream of the Brilliant dam, along with transmission lines between the four dams, water rights, power entitlements of approximately 200 megawatts, and related properties and equipment. The shares of Kootenay River Power Corporation would then be purchased by subsidiaries of Columbia Power Corporation and the Columbia Basin Trust. At the same time, approximately 80 West Kootenay Power employees involved in the planning, operation and maintenance of these assets and the Brilliant and Waneta dams would be transferred to a subsidiary company of Columbia Power Corporation and the Columbia Basin Trust. As part of the proposed transaction, the power from the four dams would be sold to West Kootenay Power under a 60-year agreement with terms similar to those in the agreement for the sale of the Brilliant output to West Kootenay Power.

The $120 million purchase price will be financed by a combination of equity from Columbia Power Corporation and the Columbia Basin Trust and debt raised through the sale of limited recourse bonds, similar to the Brilliant Series A bonds. The transactions are subject to receiving British Columbia Utilities Commission and other approvals for the agreements, as well as obtaining financing on acceptable terms.

Arrow Lakes Generating Station

The Arrow Lakes Generating Station project (formerly known as the Keenleyside Powerplant) consists of the construction of a power generation facility with a capacity of 170 megawatts at the Keenleyside dam on the Columbia River, and a 49-km transmission line connecting the project to the BC Hydro power grid at the Selkirk Substation. The powerplant will contain two 85 megawatt vertical shaft Kaplan turbines. It will be situated 400 metres downstream of the Keenleyside dam and will be connected to the Arrow Lakes reservoir by a 1,500 metre intake channel which will pass around the dam.

Construction of the powerplant and transmission line will create approximately 1,000 person-years of employment. The budget for the construction period is $270 million. Columbia Power Corporation and the Columbia Basin Trust have created a new joint venture called Arrow Lakes Power Company for the purpose of constructing and operating the project.

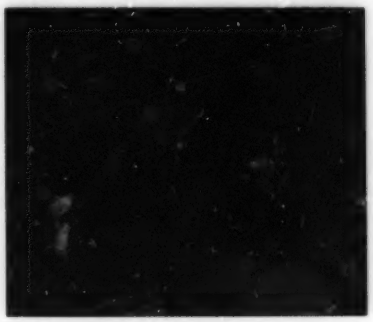
The Keenleyside dam was constructed in the 1960s by BC Hydro, under the terms of the Columbia River Treaty between Canada and the United States. The dam regulates water flows to provide flood control and power generation benefits in the United States, but does not currently have capacity to generate power.

Arrow Lakes Generating Station under construction at Keenleyside Dam

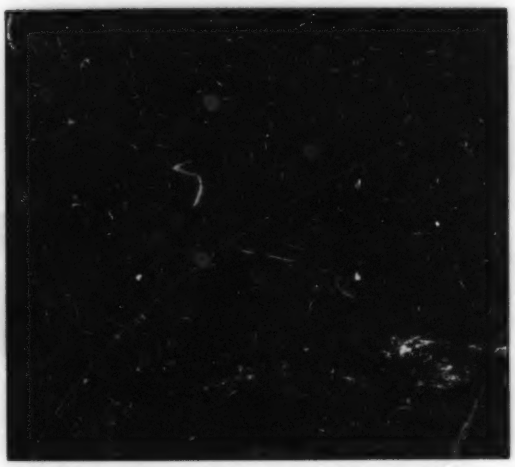
The project's environmental review entailed extensive public consultation involving residents, municipal governments, First Nations and community organizations, culminating in the receipt of a Project Approval Certificate. This certificate confirmed the environmental viability of the project and allowed permits to be issued for construction and operation of the powerplant and transmission line. Under the terms of the certificate, Columbia Power Corporation will implement several measures to protect the environment, in addition to improving fish habitat by reducing Total Gas Pressure levels downstream of the dam. These measures include the provision of funding for the Arrow Lakes fish fertilization program and payments to compensate for construction impacts on local parks.

To secure a long term market for the output of the Arrow Lakes Generating Station project, Columbia Power Corporation and the Columbia Basin Trust acquired the rights to sell power to BC Hydro under the terms of a contract originally signed by BC Hydro and Alcan Aluminium Ltd. As a result, the joint venturers will sell power to BC Hydro from the Arrow Lakes Generating Station project for 12 years beginning January 1, 2003.

In selecting a contractor for the construction of the powerplant, Columbia Power Corporation established a design-evaluate-build process to ensure that the most cost-effective and innovative methods were used to construct the powerplant. Proposals were received from teams of contruction, engineering and equipment firms. Based on the submissions, Peter Kiewit Sons Co. Ltd. was selected to design and construct the powerplant under a fixed price contract. The proposal from Kiewit included Harza Engineering Ltd. as the principal design engineer and GE Hydro as the turbine and generator suppliers. Construction of the powerplant began in March 1999, with completion scheduled for April 2002. After two years of construction, the project is ahead of schedule, and expenditures are expected to remain within budget to completion. Production of electricity is expected to start earlier than scheduled, and contracts have been signed to sell all power produced before January 1, 2003, to Powerex, a subsidiary of BC Hydro. These revenues will be shared with the powerplant construction contractor.



Tree planting taking place along the transmission line for Arrow Lakes Generating Station



Construction of transmission line for Arrow Lakes Generating Station

In June 2001, the Auditor General of British Columbia issued a report entitled *Arrow Lakes Generating Station: Capital Management Process.* The purpose of the report was to determine whether Columbia Power Corporation and the Columbia Basin Trust took appropriate steps to ensure that the Arrow Lakes Generating Station will provide good value for money. In his findings, the Auditor General stated that "overall. . .the project was generally well managed" and that "overall . . .the capital management process used for the Arrow Lakes Generating Station was appropriate and will provide good value for money."

Brilliant Dam Operations

Net income for Columbia Basin Power Company for the year ended March 31, 2001 was $3.
million, compared to $2.5 million in the previous year. The increase in income was due to escalation of payments received for power sold under the Brilliant Power Purchase Agreemer with West Kootenay Power, higher interest earnings and the commencement of power sales from the first turbine upgrade project.

The amount of power sold by Columbia Basin Power Company in 2000/01, as determined by the Brilliant energy entitlement received under the Canal Plant Agreement, was 793,270 megawatt-hours, compared to 845,323 megawatt-hours in the previous year. The decrease i power sold was due to the withdrawal from service of generating unit #2 for four months to allow upgrade and life extension work to be undertaken. All sales were made to West Kootenay Power under the terms of the Brilliant Power Purchase Agreement. Under the term of this agreement, the reduction in power deliveries did not affect sales revenues.

As noted above, generating unit #2 was withdrawn from service on April 3, 2000 to allow installation of a new turbine runner and related work as part of the Brilliant Upgrade project, and to undertake life extension work on this unit. The life extension program for the four generating units includes: refurbishment of generator rotors; rewinding of generator stators; and replacement of generator transformers, exciters, generator cables, turbine governors, bushings, unit instrumentation and protection and control equipment. Unit #2 was successfu returned to service on August 4, 2000. Costs associated with this work were within budget, with the exception of expenditures for replacement power, which were significantly impacted high market prices for power during the outage period. The cost of this work will be recover through the Upgrade Return on Capital Charge and the Sustaining Capital Charge under the Brilliant Power Purchase Agreement.

Upon the return to service of unit #2, the Brilliant power entitlement was increased by approximately 31 gigawatt-hours of energy annually and five megawatts of capacity, due to th unit's improved efficiency and ability to use more water. When all four upgrades are complet the output of the powerplant will be increased by approximately 20 megawatts and 125 gigawatt-hours annually, representing the combined effect of regulated and unregulated wate flows through the upgraded turbines. The increased power provided by the Brilliant Upgrade project is being sold to West Kootenay Power under the terms of the Brilliant Power Purchase Agreement.

Construction of a new switchyard, adjacent to the existing Brilliant switchyard, began in June 2000. This project is necessary to maintain safety and reliability standards as the existing switchyard approaches the end of its useful life. This work was substantially completed by th end of the fiscal year, and commissioning will be undertaken in 2001/02.

Phase I of the dam stabilization project began in July 2000 and was completed in December 2000. This project, which involves the installation of anchors in the base of the dam, allows th structure to meet state-of-the-art stability criteria in the event of earthquakes and floods. A second phase is being contemplated, with engineering scheduled for 2001/02 and construct work potentially taking place in 2002/03.

An intake gate rehabilitation program also began in 2000/01, with the purpose of ensuring structural integrity and corrosion resistance of these components. This work is being coordinated with the upgrade and life extension schedule for each unit so as to avoid additio outage costs.

Other smaller projects are being undertaken as part of the long-term sustaining capital program for the Brilliant dam. Projects undertaken in 2000/01 include a new motor control centre unit, spillway gate controls, and main and auxiliary station service transformers.

Brilliant Dam

Capital additions to the Brilliant dam during the year were $21.9 million. Capital expenditures to date have been funded using the equity of Columbia Power Corporation and CBT Power Corp. and repayable, interest-bearing advances provided by Columbia Power Corporation. The joint venturers plan to issue Brilliant Series B bonds in 2001/02 to finance a portion of the expenditures made to date for upgrade and sustaining capital projects at the Brilliant dam. A credit facility with the Canadian Imperial Bank of Commerce is also available to provide funding. Planned capital expenditures over the next three years total $49 million.

Brilliant Dam Operations Summary Information

(Thousands of Dollars Unless Otherwise Stated)

	2000/01	1999/00	1998/99	1997/98	1996/97[1]
Total Sales (megawatt-hours)	793,270	845,323	847,997	817,292	733,740
Average Price (cents/kwh)	2.8	2.5	2.4	2.5	2.3
Sales Revenue	22,123	21,329	20,210	20,301	16,763
Interest Revenue	860	410	380	231	219
Other Revenue	-	-	-	5	-
Operating Expenses	1,549	1,790	1,492	1,747	1,562
Taxes and Water Rentals	6,018	6,290	5,992	6,319	4,872
Interest Expense	9,143	8,716	8,601	8,524	7,361
Amortization	2,593	2,450	2,350	2,333	1,862
Net Income	3,680	2,492	2,155	1,614	1,325
Joint Venturers' Equity	50,821	45,405	45,730	45,449	46,061
Annual Return on Equity	7.2%	5.5%	4.7%	3.6%	3.4%
Distribution to Joint Venturers	3,500	3,450	2,850	2,660	1,480
Capital Expenditures	21,915	4,116	4,728	3,730	2,247
Long-term Debt	91,556	92,577	93,512	94,369	95,155
Current Portion of Long-term Debt	1,021	935	857	785	719
Advance from Columbia Power Corporation	26,556	11,977	7,190	1,950	-
Debt Service Coverage Ratio	1.51	1.41	1.39	1.35	1.33

1. Information for 1996/97 represents the period from May 22, 1996 to March 31, 1997

Community Sponsorship

Columbia Power Corporation provides sponsorship funding for numerous events and organizations in the communities of the Columbia Basin, in keeping with its commitment to translate power project investments into benefits for the public. Sponsorship funding was provided in the past year for community services, regional events, scholarships and bursaries in the Columbia Basin.

Community Services:

In 2000/01, Columbia Power Corporation provided 43 sponsorships for community services that ranged from watershed enhancement projects to search and rescue operations within the Columbia Basin. Community celebrations and a variety of recreational projects were also supported.

Examples of community service sponsorships in the past year:

- stream enhancement at Blueberry Creek
- training for hiking trail development
- purchase of equipment for a community training facility
- musical events

Hikers enjoying trails on Columbia Power Corporation lands

Regional Events:

Columbia Power Corporation was a major sponsor of three regional events:

- the Cranbrook Regional Hospital Foundation fundraiser
- the City of Trail Concert Committee centennial celebrations
- the first-ever Castlegar air show

Scholarships and Bursaries:

Columbia Power Corporation provides scholarships to graduating classes of all 23 secondary schools in the Columbia Basin. Bursaries are made available to students enrolled at the College of the Rockies, the Kootenay School of the Arts and Selkirk College.

Columbia Power Corporation also sponsored the Children's Festival which is organized and run by local volunteers during the Festival of Trees, an annual fund-raising event organized by Selkirk College.

Board of Directors

Chair (vacant)

Lorne Sivertson
President
Columbia Power Corporation

Ed Pietraszek
Corporate Secretary/Treasurer
Columbia Power Corporation

Officers

Lorne Sivertson
President

Victor Jmaeff
Vice-President, Operations and Engineering

Bill Freeman
Vice-President, Planning and Development

Bruce Duncan
Vice-President, Strategic Planning

Ed Pietraszek
Corporate Secretary/Treasurer

Wally Penner
Director, Community and Regional Affairs

Randall Smith
Comptroller

Statement of Corporate Governance Practices

The power project investments of Columbia Power Corporation and the Columbia Basin Trust are guided by the principle, as stated in the Financial Agreement between the Province and the Columbia Basin Trust, that the joint venture management committee formed with respect to a power project will only authorize the commencement of the power project if such commencement is approved by the respective boards of directors of Columbia Power Corporation and the Columbia Basin Trust and such power project would meet conditions precedent as would be set by a reasonable lender for the financing of such power project, including conditions in respect of debt servicing, return on equity, permits, construction agreements, contracts for the sale or distribution of electricity and similar matters.

All operating and capital budgets for a joint venture power project require the unanimous approval of the respective joint venture management committee, which consists of three members appointed by Columbia Power Corporation and three members appointed by the Columbia Basin Trust.

Columbia Power Corporation is an agent of the Province. Under the terms of its agency agreement with the Province, Columbia Power Corporation must obtain the approval of Treasury Board for all budgets and material decisions.

Columbia Power Corporation was incorporated under the British Columbia Company Act. Its directors are appointed annually by the Province.

Columbia Power Corporation is a government corporation under the British Columbia Financial Administration Act. As such, Columbia Power Corporation is required to maintain its accounts in a manner acceptable to the Minister of Finance. The Auditor General of British Columbia is the auditor for Columbia Power Corporation.

Discussion of Financial Results

Net income earned by Columbia Power Corporation in 2000/01 was $3.7 million, compared to $3.6 million in the previous year. The increase in income was due primarily to the escalation o payments received for power sold to West Kootenay Power Ltd. Partially offsetting these positive effects on income were lower interest revenues.

The majority of interest revenue was earned in the segregated trust account held by British Columbia Investment Management Corporation in trust for Columbia Power Corporation. This revenue was available only for the purpose of investing in joint venture power projects with th Columbia Basin Trust, as were the funds placed into the account by the Province. All funds in the segregated trust account were expended on power project capital costs prior to year-end

Capital spending totalled $63.4 million during the year, compared to $26.2 million in the prior year. Almost all of this expenditure was invested in power projects undertaken jointly with the Columbia Basin Trust, and was funded from Columbia Power Corporation's segregated trust account, short-term borrowing and retained earnings. The major area of expenditure was construction of the Arrow Lakes Generating Station, followed by additions to the Brilliant pow facility. Columbia Power Corporation provided advances to Columbia Basin Trust for its share joint venture capital spending.

On April 1, 2000, 50% of the Brilliant and Waneta Expansion rights held by Columbia Power Corporation were sold to a subsidiary of Columbia Basin Trust for $25,925,000. These funds were used during the year to pay for power project capital costs.

During the past year, Columbia Power Corporation's return on equity declined to 1.5% from 1.8%. The rate of return reflects the fact that most of the corporation's projects are still in the development phase, with intensive capital spending being undertaken before revenues are received. As more projects enter the operations stage and begin to earn revenue, the return on equity will increase accordingly.

The rate of return on assets in service rose to 7.2% from 5.5%. This rate of return is a function of the sales contract for the output of the Brilliant dam, under which the rate of return grows steadily each year to provide the target return on investment over the life of the contract.

Columbia Power Corporation used its undistributed cash earned from power projects to partia finance power project capital costs and to pay for corporate asset additions. The corporation declared a dividend of $3 million for 2000/01. Future dividends will be determined based on annual cash earnings, working capital requirements, reserves for future capital replacement an new power project investment opportunities.

Report on Performance Plan

The following report summarizes Columbia Power Corporation's achievements as measured against the objectives stated in its Performance Plan.

1. Strategic Objective

Develop projects on time and on budget.

(i) Corporate Measure

Continue to construct the Arrow Lakes Generating Station and the related 49 kilometer, 230 kV transmission line on schedule and on budget.

Result

The powerplant and transmission line projects are significantly ahead of schedule. Cost overruns for the transmission line project are not expected to effect the overall project budget.

(ii) Corporate Measure

Maintain the development schedule for the Brilliant life extension and upgrades projects within the approved budgets.

Result

Brilliant generating unit #2 turbine was upgraded and returned to service on schedule. The remaining turbines are scheduled for upgrade over the next two years. The life extension program has been accelerated to reduce plant outages. Capital spending was within budget with the exception of costs associated with the purchase of replacement power.

(iii) Corporate Measure

Apply for Brilliant Expansion Project environmental approvals and receive such approvals.

Result

The Brilliant Expansion Application for a Project Approval Certificate (PAC) was submitted to the BC Environmental Assessment Office in November 2000 for concurrent review with the Application for a Water License. In parallel with public and First Nations consultations and a competitive design-build process for industry bids, project permitting is on track for obtaining necessary approvals in time for construction start in fall 2002.

(iv) Corporate Measure

Protect CPC/CBT's commercial and strategic interests with respect to the WKP System Development Plan, and protect CPC/CBT rights to Cominco's No. 71 Line.

Result

CPC/CBT provided technical input into the development of WKP's System Development Plan, and was an intervenor in the 2000/01 BCUC Hearing. CPC successfully defended its business issues and negotiated an agreement in principle with respect to CPC/CBT's Arrow Lakes Generating Station to Selkirk line and a new Brilliant Substation. CPC continues to protect its rights to Cominco's 71 line in light of the planned relocation of the line through BC Hydro's Nelway phase shifter.

(v) **Corporate Measure**

Complete negotiations with Cominco for the Waneta Upgrades Project and secure a sales contract for the power.

Result

CPC/CBT continues to seek an agreement with Cominco Ltd. regarding incremental power entitlements attributable to the upgrades.

2. **Strategic Objective**

Secure markets for the power generated by CPC/CBT power projects. Attract new power intensive industries to the Columbia Basin Region, in conjunction with the Province's Power for Jobs initiative.

(i) **Corporate Measure**

Pursue markets for a portion of the Brilliant Upgrades power not sold to WKP under long term contract and for the Brilliant Expansion power.

Result

CPC/CBT entered into an agreement to sell the remainder of the Brilliant Upgrade power to WKP. Discussions were initiated regarding the sale of Brilliant Expansion power.

(ii) **Corporate Measure**

Gain at least one commitment from investors to invest in and enter long term power purchase agreements for a significant new industrial plant in the Columbia Basin Region.

Result

CPC continues to work with government economic development officials to promote the Columbia-Kootenay region to potential investors.

3. **Strategic Objective**

Secure improved market access.

(i) **Corporate Measure**

Secure improved market access for CPC/CBT power in BC and external markets.

Result

In 2000/01, CPC joined the Western System Power pool, and successfully used the WSPP Agreement in a power sales transaction.

(ii) **Corporate Measure**

Obtain National Energy Board export permits and provincial energy removal certificates.

Result

In 2000/01, CPC was successful in obtaining an Export Permit from the National Energy Board and an Energy Removal Certificate from the Province of BC.

4. Strategic Objective

Earn a target rate of return for power project equity investments.

(i) Corporate Measure

Target rates of return are determined over the life of individual projects.

Result

CPC return on assets reserves:

2000/01 - 7.2% 1999/00 - 5.5%

5. Strategic Objective

Maintain or improve current bond ratings for CPC/CBT power projects.

(i) Corporate Measure

Maintain or improve the bond rating on Brilliant Dam debt

Result

Brilliant Series A bonds have maintained their bond rating; DBRS A, Moody's A2. Moody's has issued a positive rating outlook.

6. Strategic Objective

Maintain CPC/CBT's non-tax supported debt status.

(i) Corporate Measure

Raise up to $25 million in the debt market for the Brilliant life extension and Upgrades projects.

Result

Series B Brilliant Bonds will be issued in 2001/02 to finance a portion of expenditures made to date for upgrade and sustaining capital projects.

(ii) Corporate Measure

Begin taking the necessary steps to obtain debt financing for the Arrow Lakes Generating Project.

Results

Arrow Lakes Generating Station Bonds will be issued during 2001/02, once the Project is in-service, to provide equity for future CPC/CBT power projects and to ensure borrowing on the most favourable terms.

7. Strategic Objective

Develop a sustaining capital fund to finance the equity portion of ongoing replacement capital and project life extension programs, while distributing an appropriate level of CPC equity returns to the Province as CPC's shareholder.

(I) Corporate Measure

Pay a dividend to the shareholder.

Result

CPC declared a dividend of $3,000,000 for 2000/01. CPC is using its undistributed earnings to finance power project capital spending equity requirements.

8. Strategic Objective

Create 1,800 person years of direct employment within the Columbia Basin Region over ten years, with a target of 15 percent or greater employment equity hires.

(I) Result

Contribution to employment (person years)

1996/97	1997/98	1998/99	1999/00	2000/01
19	25	60	213	338

CPC/CBT power projects have created 655 person years of employment to March 31, 2001 with 132 person years of equity hires (20%).

9. Strategic Objective

Perform the joint venture Manager function in a cost-effective manner.

(I) Corporate Measure

Maintain CPC staffing and overhead costs at the minimum levels required to ensure the efficient delivery of the joint venture Manager function.

Result

	1999/00	2000/01
Full Time Equivalents	26	29
Staff and Overhead costs ($million)	2.9	3.3
Cost of Energy Supply (mills per kWh)	22.8	24.3
Operation, Maintenance & Administration (OMA) mills per kWh	1.2	1.0
Ratio of OMA to total operating costs	0.05	0.04

COLUMBIA POWER CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2001

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COLUMBIA POWER CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

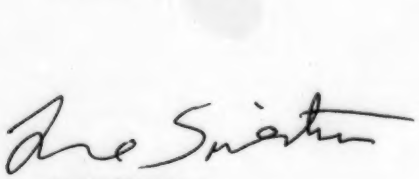
FOR THE YEAR ENDED MARCH 31, 2001

Statement of Management Responsibility

The consolidated financial statements of Columbia Power Corporation have been prepared by management in accordance with Canadian generally accepted accounting principles and fairly present Columbia Power Corporation's consolidated financial position and results of operations. The integrity of the information presented in the consolidated financial statements, including estimates and judgments relating to matters not concluded by fiscal year end, is the responsibility of management.

Management is responsible for establishing and maintaining appropriate systems of internal control, policies and procedures which are designed to provide reasonable assurance that Columbia Power Corporation's assets are safeguarded and that reliable financial records are maintained.

The Auditor General of British Columbia has been appointed by management to audit the consolidated financial statements. The report of the Auditor General of British Columbia is attached, outlining the scope of his examination and providing his opinion on the consolidated financial statements.



Lorne Sivertson
President

Randall G. Smith
Comptroller

June 13, 2001

Report of the Auditor General of British Columbia

To the Shareholder of Columbia Power Corporation, and

To the Minister of Energy and Mines,
Province of British Columbia:

I have audited the consolidated balance sheet of *Columbia Power Corporation* as at March 31, 2001 and the consolidated statements of income, retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Columbia Power Corporation as at March 31, 2001 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the Company Act (British Columbia), we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

Wayne Strelioff

Victoria, British Columbia
June 13, 2001

Wayne Strelioff, CA
Auditor General

COLUMBIA POWER CORPORATION

CONSOLIDATED BALANCE SHEET

AS AT MARCH 31

	2001	2000
ASSETS		
Current assets		
Cash	$ 1,601,833	$ 4,122,928
Short term investments	-	5,813,140
Accounts receivable and unbilled revenue	4,267,256	3,184,654
Land and timber inventory (Note 3)	287,177	227,759
Prepaid expenses and deposits	665,851	707,026
	6,822,117	14,055,507
Capital assets (Note 4)	82,132,491	72,181,690
Other assets		
Due from joint venture partner (Note 5)	143,963,316	85,003,926
Hydroelectric power expansion rights (Note 6)	25,925,000	51,850,000
Deferred costs (Note 7)	90,572,016	38,994,230
Power sales right (Note 8)	11,376,000	11,376,000
Debt service reserve fund (Note 18(a)(ii))	2,316,644	2,316,644
Operating reserve account (Note 18(a)(iii))	1,010,500	702,000
Deferred debt issue costs (Note 9)	456,024	474,144
	275,619,500	190,716,944
	$ 364,574,108	$ 276,954,141

The accompanying notes are an integral part of the financial statements

APPROVED ON BEHALF OF THE BOARD:

Director

Director

COLUMBIA POWER CORPORATION

CONSOLIDATED BALANCE SHEET

AS AT MARCH 31

	2001	2000
LIABILITIES AND SHAREHOLDER'S EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	$ 3,664,177	$ 1,753,686
Short term loan (Note 12)	20,343,486	-
Dividend Payable	3,000,000	-
Interest payable on long-term debt	1,374,063	1,391,770
Current portion of long-term debt	510,413	467,715
Due to related parties (Note 19(c))	805,813	617,434
BC corporation capital tax payable	167,723	115,952
	29,865,675	4,346,557
Deferred revenue	469,710	523,317
Long-term debt		
Series A Brilliant project bonds (Note 13)	45,777,878	46,288,292
Equity		
Share capital (Note 15)	6	5
Contributed surplus (Note 16)	276,065,409	214,116,236
Retained earnings	12,395,430	11,679,734
	288,460,845	225,795,975
	$ 364,574,108	$ 276,954,141

The accompanying notes are an integral part of the financial statements

COLUMBIA POWER CORPORATION

CONSOLIDATED STATEMENT OF INCOME

FOR THE YEAR ENDED MARCH 31

	2001	2000
REVENUES		
Sale of power - Brilliant power facility	$ 11,071,386	$ 10,664,572
Interest (Note 17)	2,500,715	3,452,393
Management fee	309,850	277,579
	13,881,951	14,394,544
EXPENSES		
Water rentals	1,939,475	1,981,578
Amortization of capital assets in service	1,452,207	1,316,193
Property tax	813,548	929,735
Operations and maintenance	407,257	491,535
Provision for BC corporation capital tax	284,852	256,699
Administration and management	632,060	683,382
Insurance	163,585	166,698
Community sponsorship	75,000	74,680
Development costs expensed	113,801	638,533
	5,881,785	6,539,033
INCOME FROM OPERATIONS	8,000,166	7,855,511
FINANCE CHARGES		
Interest on series A Brilliant project bonds	4,147,390	4,195,326
Bank charges and interest	118,960	827
Amortization of deferred debt issue costs	18,120	18,120
	4,284,470	4,214,273
NET INCOME FOR THE YEAR	$ 3,715,696	$ 3,641,238

The accompanying notes are an integral part of the financial statements

COLUMBIA POWER CORPORATION

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

FOR THE YEAR ENDED MARCH 31

		2001	2000
RETAINED EARNINGS - beginning of year		$ 11,679,734	$ 8,038,496
Add:	Net income	3,715,696	3,641,238
Deduct:	Dividend declared	(3,000,000)	-
RETAINED EARNINGS - end of year		$ 12,395,430	$ 11,679,734

The accompanying notes are an integral part of the financial statements

COLUMBIA POWER CORPORATION

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31

	2001	2000
OPERATING ACTIVITIES:		
Net income for the year	$ 3,715,696	$ 3,641,238
Adjustments to reconcile cash flow from operations:		
Amortization of capital assets in service	1,452,207	1,316,193
Amortization of deferred debt issue costs	18,120	18,120
Development costs expensed	113,801	513,451
Net change in non-cash working capital balances	978,481	(1,785,748)
	6,278,305	3,703,254
FINANCING ACTIVITIES:		
Issue of share capital	61,949,173	53,717,418
Proceeds of short term loans	20,343,486	-
Principal repayment of Series A Brilliant project bonds	(467,715)	(428,585)
	81,824,944	53,288,833
INVESTING ACTIVITIES:		
Advance to joint venture partner	(58,959,390)	(28,410,861)
Sale of expansion rights	25,925,000	-
Deferred costs	(51,691,586)	(23,270,488)
Short term investments	5,813,140	(2,425,985)
Additions to Brilliant power facility	(10,691,097)	(1,928,193)
Purchase of land	(154,799)	(875,804)
Loan receivable advanced	-	(270,063)
Loan receivable repayment	-	732,813
Transfer to operating reserve account	(308,500)	(197,500)
Purchase of furniture, equipment and vehicles	(557,112)	(150,879)
	(90,624,344)	(56,796,960)
(DECREASE) INCREASE IN CASH	(2,521,095)	195,127
CASH - BEGINNING OF YEAR	4,122,928	3,927,801
CASH - END OF YEAR	$ 1,601,833	$ 4,122,928

The accompanying notes are an integral part of these financial statements

1. Columbia Power Corporation

(a) Structure and financing

Columbia Power Corporation (CPC) was incorporated on April 18, 1994 under the Company Act of British Columbia and is wholly owned by the Province of British Columbia. As an agent for the Province, CPC is committed to entering into joint ventures to develop hydroelectric power projects as set out in the Agreement signed July 27, 1995 (the Agreement) between the Province and the Columbia Basin Trust (the Trust). The Trust is not an agent of the Province and is controlled by a regional board of directors. CBT Energy Inc. was incorporated on October 11, 2000 and is wholly owned by the Trust. The corporation's purpose is owning, directly or indirectly, all of the Trust's energy and energy-related assets and interests.

The Agreement anticipates that several power projects will be undertaken through joint ventures between CPC and subsidiaries of the Trust (the Venturers). The cost of all projects under consideration is expected to exceed $1 billion.

Under the Agreement between the Province and the Trust, the Province committed to make $500 million in capital contributions for the purpose of funding capital costs of power projects, with the remaining capital costs to be financed through joint venture borrowings by CPC and the Trust's subsidiaries. Funds will be provided approximately as follows:

(a) by payments of $50 million to CPC on April 1st of each of the years 1996 through 2000; and
(b) by payments of $50 million to the Trust on April 1st of each of the years 2001 through 2005.

The Venturers each hold a 50% interest in the joint ventures and direct their activities through Management Committees with an equal number of members appointed by each Venturer. All decisions of the Management Committees require the unanimous approval of its members.

CPC is appointed the Manager of the joint ventures with the authority to manage the day-to-day activities, subject to direction from the Joint Venture Management Committees, and in accordance with annual capital and operating budgets approved by Treasury Board.

(b) Power project planning

On February 28, 1996, CPC and CBT Power Corp. (CBT Power), a subsidiary of the CBT Energy Inc., entered into the Power Project Planning Joint Venture (PPPJV) Agreement. Under this agreement, the parties formed an unincorporated joint venture, primarily for the purpose of assessing and determining the feasibility of power projects pursuant to the Agreement between the Province and the Trust.

The agreement provides for the Venturers to conduct work on specific power projects up to the date that an existing project is acquired, construction has commenced on a new project, or a project is no longer feasible or is abandoned. Prior to a project's acquisition or commencement of construction, approval must be received from the Directors of both CPC and the Trust. CPC's material decisions are also subject to the approval of the Province's Treasury Board. The project must also meet financial viability tests consistent with those of a commercial lender. When a project is acquired, or project construction is commenced, the project is to be transferred to a separate joint venture.

(c) Brilliant power facility

On May 3, 1996, CPC and CBT Power entered into the Columbia Basin Power Company (CBPC) Joint Venture Agreement. Under this Agreement, the parties formed an unincorporated joint venture for the purpose of operating the Brilliant Dam assets.

Brilliant Power Funding Corporation (BPFC) was incorporated on April 26,1996 under the Company Act of British Columbia and was established to hold legal title to the Brilliant Dam assets as well as to issue Brilliant Project Bonds as agent and nominee for CPC and CBT Power. The rights to the use and enjoyment of the Brilliant Dam assets have been assigned to CBPC.

Under the Agreement, the Venturers specify that, unless otherwise agreed by them, their liabilities and obligations under CBPC's agreements are to be several and equal to their participating interest in CBPC. The Venturers cannot use their CBPC participating interest as security for indebtedness. Further, the Trust has agreed that it will not use its CBT Power shares as security for indebtedness. The Trust has also agreed that CBT Power will not conduct any activities other than those related to CBPC and the Power Project Planning Joint Venture.

(d) Arrow Lakes Power Company Joint Venture (ALPC)

On August 28, 1998, CPC and CBT Arrow Lakes Power Development Corp., (CBT Arrow Lakes) a subsidiary of CBT Energy Inc., entered into the Keenleyside Power Company (since renamed Arrow Lakes Power Company) Joint Venture Agreement. Under this Agreement, the parties formed an unincorporated joint venture, primarily for the construction of a powerplant (the Arrow Lakes Generating Station (ALGS)) at the Hugh Keenleyside Dam and a transmission line from the powerplant to the Selkirk substation.

Keenleyside Power Development Corporation (since renamed Arrow Lakes Power Development Corporation (ALPDC)) was incorporated on June 10, 1998, under the Company Act of British Columbia. ALPDC was established to hold legal title to the real and tangible personal property comprising the Keenleyside powerplant and transmission lines, as agent and nominee for the Venturers. The rights to the use and enjoyment of the Keenleyside powerplant and transmission line assets have been dedicated to ALPC.

When approval was given by the Province's Treasury Board and the Trust's Board of Directors to begin construction of the ALGS project, deferred development costs to date for the ALGS project were transferred from PPPJV to ALPC.

2. Significant accounting policies

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies:

(a) Consolidated financial statements

These consolidated financial statements include CPC's operations and interests in PPPJV, CBPC, and ALPC. The joint ventures are consolidated using the proportionate consolidation method, whereby CPC's accounts are combined on a line by line basis with its proportionate share (in this case 50%) of the joint ventures' assets, liabilities, revenues, expenses and cash flows. Intercompany balances and transactions between CPC and the joint ventures have been eliminated.

(b) Revenue recognition

West Kootenay Power Ltd. (WKP) is the purchaser of all power received under the Brilliant Dam Entitlement. Revenues are recognized when operating and maintenance costs are incurred and as the return on capital is earned in accordance with the Brilliant Power Purchase Agreement (Note 18(a)(i)).

(c) Capitalization and amortization

Capital assets are recorded at cost and are amortized annually at rates calculated to write off the cost of assets over their estimated useful lives. Amortization begins when assets are placed into service.

(i) Brilliant power facility

The Brilliant power facility is recorded at cost and is amortized on a straight-line basis over 60 years consistent with the 60 year term of the Brilliant Power Purchase Agreement and the revenues provided under that agreement. Capital additions to the Brilliant power facility are recorded at cost and are amortized on a straight-line basis over 30 years, consistent with the 30 year sustaining capital expenditure recovery provided by the Brilliant Power Purchase Agreement. Upgrades capital expenditures will be amortized on a straight-line basis over the remainder of the 60 year Brilliant Power Purchase Agreement, which provides for recovery of upgrades capital expenditures over the same period.

(ii) CPC offices and equipment

Computer systems	-	straight line over 3 years
Office furniture and equipment	-	straight line over 5 years
Leasehold improvements	-	straight line over 5 years
Vehicles	-	straight line over 8 years

(d) Hydroelectric power expansion rights

Hydroelectric power expansion rights are recorded at cost in these consolidated financial statements.

(e) Deferral of power project costs

Costs incurred in determining the feasibility of acquiring power projects or undertaking preliminary development work on power projects and costs incurred undertaking construction projects are deferred. Deferred power project costs include all costs attributable to a project as well as capitalized interest and taxes.

When a project is acquired or construction commences, the related deferred costs of that project form part of its capital cost. When a project is abandoned, the costs deferred for that project are expensed.

The appropriateness of deferring a project's costs is considered annually. The annual review considers a number of significant estimates and qualitative factors prior to forming an overall judgment on the project's prospects and the likelihood of cost recovery. When a project's costs exceed those likely to be recovered, the excess is expensed.

(f) Deferred debt issue costs

Expenditures incurred in issuing the Series A Brilliant Project Bonds are deferred and amortized on a straight-line basis over the bonds' term of 30 years.

(g) Taxes

No provision for income tax or federal large corporations tax has been made in the financial statements. CPC is exempt from income tax under paragraph 149(1)(d) of the Income Tax Act. CPC is also exempt from federal large corporations tax under sub section 181.1(3) of the Income Tax Act. CPC is subject to British Columbia corporation capital tax (CCT) under Section 3(1) of the Corporation Capital Tax Regulation.

3. Land and timber inventory

Land and timber inventory was purchased as a result of transmission line Right of Way (ROW) acquisition. Timber inventory will be realized upon logging the ROW. Land inventory will be realized upon private sale.

The value of land and timber held for resale is based on the lower of cost and net realizable value. Any gains or losses upon sale of inventory will increase or reduce the net cost of the ROW. All timber inventory was logged and sold during the year.

	March 31, 2001	March 31, 2000
Land inventory	$ 287,177	$ 185,639
Timber inventory	-	42,120
	$ 287,177	$ 227,759

4. Capital assets

	Cost	Accumulated Amortization	NBV March 31, 2001	NBV March 31, 2000
Brilliant power facility	$ 82,679,868	$ 5,706,542	$ 76,973,326	$ 67,560,386
Brilliant lands	2,359,309	-	2,359,309	2,359,309
ALPC lands	2,032,896	-	2,032,896	1,869,184
Other lands	36,636	-	36,636	25,549
Computer systems	237,092	165,145	71,947	90,862
Furniture and equipment	248,837	95,326	153,511	128,834
Leasehold improvements	540,226	106,441	433,785	72,659
Vehicles	93,706	22,625	71,081	54,907
	$ 88,228,570	$ 6,096,079	$ 82,132,491	$ 72,181,690

5. Due from joint venture partner

(a) Non-interest bearing advance

Under the terms of the Joint Venture Agreements (Note 1), CPC has agreed to make interest free advances to fund the Trust's share of joint venture cash contributions. CPC is committed to advancing these funds only to the extent they have trusteed funds available. Such advances are secured by the Trust's commitment to use its future power project contributions from the Province to repay any advances owed to CPC from the Trust. Further, the Trust pledges its interest in joint venture assets to CPC while advances are owed by it to CPC.

(b) Interest bearing advance

During the year, CPC made interest bearing advances to CBT for power project capital spending from its segregated trust account, retained earnings and short term borrowing. Interest at an average rate of 6.3% was charged, based on CPC's investment opportunity cost and short term borrowing interest incurred. The advance is expected to be substantially repaid during 2001/02 by issuance of long term bonds.

6. Hydroelectric power expansion rights

CPC purchased the hydroelectric power expansion rights from Cominco in 1994. These rights included options to acquire lands near the Waneta and Brilliant dams at no additional cost and the right to develop and operate new hydroelectric facilities on these lands. On April 1, 2000, 50% of these rights were sold by CPC to CBT Power Corp. for $25,925,000.

7. Deferred costs

	March 31, 2001	March 31, 2000
Deferred power project costs		
Power Project Planning Joint Venture	$ 6,039,969	$ 3,008,101
Arrow Lakes Power Company	84,532,047	35,986,129
	$ 90,572,016	$ 38,994,230

Deferred power project costs are carried on the balance sheet of CPC based on management's judgment of anticipated future events. A number of significant estimates and qualitative factors are considered by management in determining the economic viability of each project. Changes in significant assumptions underlying future cash flow estimates may have a material effect on the economic viability of projects.

7. Deferred costs (continued)

ALPC costs of the construction contract are included in ALPC deferred power project costs and are recorded according to the schedule of payments under the contract as this schedule is intended to reflect the progress of various work activities and the general values assigned to those activities. Payments to the ALPC construction contractor are made on the basis of achievement of scheduled milestones and progress towards future milestones. Precise measurement of percentage of completion of the project is not readily determinable. Project milestones for May 2001 were achieved by March 31, 2001. In May 2001, the contractor achieved sufficient progress towards future milestones to receive scheduled payments to June 30, 2001.

8. Power sales right

On November 20, 1997, Enron Power Marketing Inc. (EPMI), purchased from Alcan Aluminium Limited the right and obligation to sell BC Hydro 167 average MW annually from January 1, 1998 to December 31, 2014. CPC and CBT Arrow Lakes subsequently entered into an agreement with EPMI to acquire for $22,752,000 (CPC's share is $11,376,000) the right and obligation to provide up to 86 average MW of the BC Hydro contract during the period January 1, 2003 to December 31, 2014. CPC and CBT Arrow Lakes intend to use a power entitlement provided by BC Hydro, in return for the output of the ALGS project during this period, to meet their obligations under the contract.

9. Deferred debt issue costs

CPC's 50% share of debt issue costs incurred by CBPC in issuing long-term debt:

	March 31, 2001	March 31, 2000
Deferred debt issue costs	$ 543,604	$ 543,604
Accumulated amortization	(87,580)	(69,460)
	$ 456,024	$ 474,144

10. Proportionately consolidated joint ventures

CPC participates in three active power project joint ventures with subsidiaries of the Trust. CPC has included in its consolidated financial statements and notes the following financial position, operating results, and cash flows which represent its 50% interest in PPPJV, ALPC and CBPC:

(I) Financial Position (as at March 31)

	2001	2000
Assets		
Plant and equipment	$ 82,679,868	$ 71,988,711
Accumulated amortization	(5,706,542)	(4,428,385)
	76,973,326	67,560,326
Land	4,392,205	4,248,493
Power project assets	81,365,531	71,808,819
Deferred costs	90,983,136	39,402,948
Expansion rights	25,925,000	-
Power sales right	11,376,000	11,376,000
Current assets	6,554,620	7,866,378
Other assets	3,783,168	3,492,788
	219,987,455	133,946,933
Liabilities		
Long-term debt	(59,056,012)	(52,276,960)
Current liabilities	(7,839,601)	(4,958,946)
	(66,895,613)	(57,235,906)
Equity in Joint Venture	$ 153,091,842	$ 76,711,027

(II) Operating Results (For the year ended March 31)

	2001	2000
Revenues		
CBPC	$ 11,491,350	$ 10,869,613
Expenses		
CBPC	9,651,277	9,623,773
PPPJV	115,815	648,260
	9,767,092	10,272,033
Net income	$ 1,724,258	$ 597,580

10. Proportionately consolidated joint ventures (continued)

(iii) Cash Flows (For the year ended March 31)

	2001	2000
Opening cash	$ 3,563,157	$ 2,529,097
Cash from operations	4,823,407	794,153
Cash applied to investments	(63,261,248)	(26,804,545)
Cash from financing	57,840,997	28,769,452
CBPC cash distribution	(1,750,000)	(1,725,000)
Closing Cash	$ 1,216,313	$ 3,563,157

11. Pension plans

CPC and its employees contribute to the Public Service Pension Plan in accordance with the Public Sector Pension Plan Act. The plan is a multi-employer defined benefit pension plan.

The most recent actuarial valuation (March 31, 1999) has determined that the plan was in a surplus position. Effective January 1, 2001, the Public Service Pension Plan's management changed to a joint trusteeship whereby the management, risks and benefits are shared between the employees and employers. Previously, these matters were the sole responsibility of the Province of British Columbia and its organizations.

Employees of CPC are eligible for the same post retirement healthcare benefits as other members of the public service pension plan. No provision, other than CPC's required employer pension contributions, has been made in the accounts of CPC for this liability. CPC has adopted this method of accounting for employee future benefits since the plan administrator does not allocate underlying assets and liabilities of the plan to individual organizations participating in the plan.

Effective January 1, 1998, CPC established an executive pension benefit plan (EPBP). Under the EPBP, CPC shall contribute each year to a trustee, in advance, an irrevocable and renewable letter of credit in an amount necessary to provide the EPBP benefits accruing and any unfunded liability. Employee contributions are not required under the EPBP.

An actuarial valuation of the EPBP was performed by McFarlane Amerlee Consulting Limited Actuaries & Pension and Benefit Consultants, at February 22, 2001. Based on this valuation, a pension liability estimated to be $97,127 at March 31, 2001 (1999/00 - $72,399) is included in accrued liabilities.

12. Short term loan

To fund project development costs in excess of cash available from capital contributions from the Province, CPC borrowed funds from Provincial Treasury throughout the year on a short term basis. The loans from Provincial Treasury totaled $20,343,486 at yearend. The loans were consolidated on March 29, 2001, at an interest rate of 4.7% with a term expiring on May 29, 2001. The loan is expected to be substantially repaid during 2001/02 by issuance of long term bonds.

13. Series A Brilliant project bonds

The following is CPC's 50% share of long-term debt issued by CBPC:

	2000/01	1999/00
Opening Balance	$ 46,756,006	$ 47,184,593
Repayment of principal during the year	(467,715)	(428,587)
	46,288,291	46,756,006
Long-term debt due within one year	(510,413)	(467,715)
	$ 45,777,878	$ 46,288,291

The Series A Brilliant project bonds (the Bonds) are repayable in equal semi-annual payments of principal and interest amortized over 30 years to May 31, 2026. Interest is calculated semi-annually at a rate of 8.93% which is an effective annual interest rate of 9.13%.

The Bonds are secured on a limited recourse basis by charges against the Brilliant Dam assets including related material contracts, licenses, permits, approvals, authorizations and insurance coverages. The agreements with the Bondholders include requirements for a debt service reserve fund, an operating reserve account and a sustaining capital expenditure commitment. Further, cash distributions to the Venturers by CBPC are restricted to cash available after a series of payment priority conditions have been assessed. The payment priority conditions include provisions for operating and maintenance expenses, capital, maintenance expenditures and debt repayment.

The Bonds are redeemable by CBPC in whole or in part at any time before May 31, 2026 at a price equal to the greater of the principal amount then outstanding or a price calculated to provide a yield to maturity, based on the current yield of a matching duration Government of Canada bond plus 0.30%.

14. Credit facility

In accordance with the agreements with Bondholders, CBPC has secured a $10,000,000 credit facility with the Canadian Imperial Bank of Commerce (CIBC). This credit facility has security ranking equal to the Series A Brilliant Project Bonds (Note 13) and can be in the form of prime based loans, bankers' acceptances, letters of credit and interest rate swaps. Proceeds from the credit facility can be used to fund Brilliant Dam sustaining capital and upgrade expenditures as well as provide a line of credit for operations.

15. Share capital

Authorized:

100,000,000 common shares, no par value

Issued:

6 common shares	$6

16. Contributed surplus

Contributed surplus represents the contributions made by the Province to permit CPC to purchase hydroelectric power expansion rights and to fund power project costs to March 31, 2001. CPC records contributions from the Province when funds are transferred from the segregated trust account. During the year $61,949,173 (1999/00 - $53,717,418) was transferred from the segregated trust account.

17. Interest earned on segregated trust funds

Interest revenue includes $1,218,292 (1999/00 - $2,647,708) earned during the year on the segregated trust account. Funds not immediately required during the year for power project development costs were held in trust and invested by BCIMC under a Funds Management Agreement. The segregated trust funds were invested in BCIMC's Canadian Money Market Funds and yielded 5.6% (1999/00 - 4.9%). All funds in CPC's segregated trust account were expended on power project capital costs prior to yearend.

18. Commitments

(a) Columbia Basin Power Company

(i) Brilliant Power Purchase Agreement

WKP is a regulated public utility which generates and sells power in the southern interior of British Columbia.

Under the Brilliant Power Purchase Agreement, WKP will purchase all the power received under the Brilliant Dam Entitlement. The term of the Agreement is 60 years.

In the first 30 years, the power will be sold on a "take or pay" basis with the price payable by WKP composed of an operation and maintenance cost charge and a return on capital charge. The purpose of the return on capital charge is to allow CBPC to recover all capital expenditures and a target rate of return on equity invested. The return on capital charge consists of the following components:

- the original plant capital charge which provides for the recovery of the acquisition costs of the Brilliant dam and the first year sustaining capital expenditures plus a 12.5% return on equity over the 60 year term of the agreement;
- the sustaining capital charge which provides for the recovery of sustaining capital expenditures plus a 12.5% return on equity over 30 years; and
- the upgrade capital charge which provides for the recovery of upgrade capital expenditures plus a 12.5% return on equity over the remaining term of the agreement.

In the second 30 years of the contract with WKP, there will be an annual market-related price adjustment.

(ii) Debt service reserve fund

Under its agreements with its Bondholders, CBPC committed to establish and maintain over the term of the Bonds (30 years to May 31, 2026) a debt service reserve fund of at least $4,632,812 (CPC's share is $2,316,406) equal to one semi-annual payment on the bonds. Use of the fund is restricted to debt service payments. The fund is held by a Trustee and forms part of the Bondholders' security. Income earned on the fund is paid to CBPC.

(iii) Operating reserve account

Under its agreements with its Bondholders, CBPC has committed to establish over four years and subsequently maintain an operating reserve account in an amount equal to one-quarter of annual operating expenses. This account is funded out of available cash flow and has a balance of $2,021,000 (CPC's share is $1,010,500).

Use of the account will be restricted to paying operating and maintenance expenses in the event that CBPC has no other funds readily available to it when it is required to pay such expenses. These funds are to be held by CBPC in a segregated account and will not be available as security for any loans or other indebtedness.

(iv) Capital maintenance expenditures

Under its agreements with the Bondholders, CBPC has committed to keep the Brilliant Dam in good operating condition and to effect all necessary repairs and replacements to the Brilliant Dam to maintain the Brilliant Dam Entitlement, subject in each case to the requirements of good industry practice.

Sustaining capital expenditures are expected to average $16,410,000 (CPC's share is $8,205,000) annually over the next 3 years and $420,000 (CPC's share is $210,000) annually over the subsequent 10 years. A number of capital projects previously scheduled for later years have been advanced to coincide with turbine upgrades which began in 2000/01. By advancing these projects, CBPC will be able to avoid duplicating outages associated with these projects and the turbine upgrades.

Sources of financing available to fund sustaining capital expenditures include internal funds, the credit facility (Note 14), issuance of additional Project Bonds and cash flow from operations.

(b) ALPC construction contract

In December 1998, ALPC entered into a turn-key, design-build contract for approximately $210 million with Peter Kiewit Sons Co. Ltd. (PKS) for the construction of the ALGS powerplant. Under the contract, the powerplant is scheduled to be completed by the end of 2002. Terms of the contract include performance guarantees and significant liquidated damages for failure to achieve performance guarantees; a contractor bonus for early completion; a milestone schedule and a schedule of payments to the contractor. Construction of the powerplant commenced in March 1999. Construction is ahead of schedule in accordance with scheduled mile stones under the design-build contract and may be in commercial production in the fall of 2001.

The construction contract includes an incentive bonus for early completion. The contractor is entitled to receive a portion of the sales revenue for any marketable power produced up to and including December 31, 2002.

(c) ALPC power sales agreement

In December 2000, an agreement was reached with Powerex Corp. regarding the sale of ALGS commissioning and entitlement energy produced between December 1, 2001 and January 1, 2003. After yearend, a subsequent agreement was reached with Powerex Corp. for the sale of all ALGS power produced prior to December 1, 2001.

(d) ALPC fish entrainment compensation

Arrow Lakes Power Company has made a commitment to contribute $175,000 annually, adjusted for inflation, to compensate for fish entrainment for as long as fish are entrained in the Keenleyside powerplant. This funding will initially be used for fertilizing fish stocks in the Upper and Lower Arrow reservoirs.

19. Related party transactions

(a) The Trust

The Trust and its subsidiaries charged the joint ventures $458,081 (1999/00 - $310,889) for overhead, professional services and accounting costs directly related to joint venture activities.

(b) Payments to BC Hydro

BC Hydro provided $1,113,872 (1999/00 - $671,537) of project consulting and management services to the joint ventures at market rates.

(c) Due to related parties

Amounts due to related parties comprised of the following:

	March 31, 2001	March 31, 2000
BC Hydro	$ 230,580	$ 88,682
The Trust and subsidiaries	460,984	41,245
Other	114,249	487,507
	$ 805,813	$ 617,434

The amounts represent current payables and were paid subsequent to yearend.

20. Subsequent events

(a) CBT non-interest bearing advance repayment

On April 2, 2001 the Province transferred $50,000,000 to the Trust's segregated trust account. In accordance with the Agreement signed July 27, 1995, between the Province and the Trust the funds were transferred to CPC as partial repayment of the non-interest bearing advance. The funds were immediately used by CPC to fund joint venture power project capital spending.

(b) WKP generation business acquisition

WKP and subsidiaries of CPC and CBT Energy Inc. signed agreements dated May 11, 2001 for the purchase of WKP's generation assets and business unit. Closing of the agreements is subject to approval of the purchase by the British Columbia Utilities Commission and financing. The generation business unit includes approximately 80 WKP employees involved in the planning, operation and maintenance of WKP, Cominco and CBPC generation assets. After financial closing, the maintenance of the Brilliant Dam will be performed by WKP employees transferred to a corporation owned by CPC and CBT Energy Inc. The Brilliant Power Purchase Agreement will be amended to reflect the termination of the WKP Management Agreement and will provide for a WKP operating and maintenance oversight role.

(c) Labour strike

On April 2, 2001, WKP's employees who are members of the International Brotherhood of Electrical Workers withdrew their services to support their union's position in the negotiation of a new collective agreement. Further upgrade and life extension work at the Brilliant dam will be rescheduled after the strike ends. The strike has not affected generation of power at the Brilliant dam or revenues.

(d) Option Agreement

On April 12, 2001, the Province signed an option agreement granting CBT Energy Inc. the right to acquire 100% of the outstanding shares of CPC at a price equal to the greater of CPC's equity book value and market value. The option expires on July 31, 2005.

21. Contingencies

(a) Power Projects

The Arrow Lakes Generating Station construction contractor has made a claim for costs incurred to meet seismic construction standards. While the final outcome of this claim cannot be predicted with certainty, it is the opinion of management that the resolution of the claim will not have significant effect on the Company's financial position.

CPC's power project investment activities are affected by federal, provincial and local government laws and regulations. Under current regulations, the Venturers are required to meet performance standards to minimize or mitigate negative impacts of their proposed projects. The impact, if any, of future legislative or regulatory requirements on specific projects and their related deferred costs cannot currently be estimated.

The Joint Venturers' power project construction program is dependent on the funding arrangements detailed in the Agreement of July 27, 1995 between the Province and the Trust. The Agreement states that all of the Province's payments to the Trust and CPC are subject to the appropriation of sufficient funds in that year's Provincial Budget.

(b) Columbia Basin Power Company

The operation of the Brilliant Dam is affected by federal, provincial and local government laws and regulations. Under its agreements with its Bondholders, CBPC has agreed to comply or cause compliance in all material respects with such laws and regulations as well as to maintain all material franchises. The financial impact, if any, of complying with future legislative or regulatory requirements cannot currently be estimated.

22. Comparative figures

Certain 1999/00 figures in the financial statement notes have been adjusted to conform with the current year's presentation.